

In a hot market, everyone thinks their home is a prize

Real estate agents, appraisers provide a reality check on pricing.

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Your home might be your castle, but that doesn't mean a buyer will pay a king's ransom for it.

Rising home sales and prices in Central Texas are inflating homeowners' expectations of what they can get for their houses.

"They read that sales are up 16 percent and prices are up 6 percent and inventory is down 6 percent, and they think it all applies to them even more so," says Gay Puckett, a real estate agent with JB Goodwin Realtors in Austin. "They read that California buyers have an eye on Austin, and they know they have a lot of cash if they sold in that market. So they hope to get lucky."

But luck is rarely part of the equation in real estate. Instead, setting the right price for a house involves a combination of art, science and psychology.

And for agents, that can include helping owners confront the reality that their three-bedroom ranch might not be the half-million-dollar prize they think it is.

"Everybody has a little more optimistic appraisal of what their property is worth," said Jim Cummings, a broker associate with Re/Max Austin Associates. "They have a financial and emotional investment in it."

"But when you put it on the market, it becomes a commodity, competing with all the other homes."

So how do you know if the price is right? Here's a guide.

Know the competition

Real estate agents will search comparable homes in your area that sold within the past three to six months to get an idea of what the market is.

Nell Hurtado, an agent with JB Goodwin Realtors, said she tries to compare at least three other similar homes, but preferably more than a half dozen that are less than a mile from the house her client is considering buying or selling.

Two numbers count: the overall price, which positions the house against others in the market, and the price per square foot. The second figure will be higher in homes with more amenities and upgrades.

Bigger homes likely will have a lower price per square foot because the extra space involves bedrooms or living rooms — less expensive to build than kitchens or bathrooms.

Hurtado will take sellers through competing houses on the market, so they understand why their 2,500-square-foot house might not get the same price as their neighbor's 2,800-square-foot house with hardwood floors and granite countertops.

"Sellers like to do that so they can get a real comparison and a visual image as to how their home is a bit different. You have to know your competition," Hurtado said.

Sellers can do some research themselves through Web sites such as www.austinhomesearch.com, which lists properties on the Multiple Listing Service, the service real estate agents use to list your house for other agents. **But the site shows only list prices, not what properties actually sold for or how long it took.**

Forget about the much-hyped Web sites that promise to provide inside information on what your home is really worth, most real estate experts say. Because sale prices are not public in Texas, they're largely useless. Some sites provide information from appraisal districts, but those valuations often bear little resemblance to market value and are updated only once a year.

Jim Gaines, a research economist at the Real Estate Center at Texas A&M University, said he sold his house last year for more than a third higher than one of the sites had valued it.

"I was appalled at what they had," he said. "I don't know where they come up with their numbers."

Price it right

The price is right if you get a lot of traffic within the first two weeks, including agents and prospects.

"If during that period you have a lot of people coming through and they know the house is a good deal, they're more likely to have a sense of urgency," said Lisa Smith, an agent with JB Goodwin Realtors.

A well-priced house is more likely to get an offer at or near the full price, agents said. An overpriced house is more likely to draw a lowball offer, or to sit on the market and become stale.

That can raise questions in buyers' minds that there might be something wrong with it.

Kenny Hilbig, an agent at Keller Williams Realty, believes in pricing a house correctly from the start and holding to it "and not adding on fluff room."

These days, he said, buyers are too savvy for such tactics.

"Buyers are less inclined to make an offer on an overpriced home, thinking the seller won't be interested in considering a realistic offer, Hilbig said.

A seller also might have a hard time finding a broker to list an overpriced listing. Agents' reputations, and their livelihoods, depend on homes that sell, not sit.

"I think almost every seller wants to get more than what their house is worth," Smith says. "As they watch prices go up, they're curious about what they can get. They say, 'Why don't we just try at this price?'"

Smith practices a little tough love with her clients when she gets a listing: The sellers must agree to cut their price if the house doesn't sell within a certain time.

Co-exist with new homes

Is your house in an area with a lot of new construction? Good luck; you're competing against brand new homes and builders willing to add incentives such as mortgage buydowns or upgrades.

Central Austin "is a different animal," Hurtado said. "You have only a limited amount of inventory, so that drives the prices up. Inventory is moving in the outlying areas, you just have to be a bit more creative on your sale."

You can price more aggressively if you're in a popular neighborhood, but even in those areas, there can be crucial differences, such as in neighborhoods that are split between two school districts, one more highly rated than the other.

It could come down to what side of a major street your house is on.

And there are limits, even in hot areas.

John and Kathy Stanley are empty nesters who are selling their four-bedroom Allandale home so they can move into a condominium.

Over the years, the Stanleys have made numerous improvements, including expanding the kitchen and building a great room with 22-foot ceilings. The market is strong in their Central Austin neighborhood, and homes sold quickly during the summer.

Their real estate agent recommended setting the price at \$350,000, or \$142 a square foot.

John Stanley, a financial analyst, pushed for more, having seen smaller houses in nearby Crestview — on the other side of Burnet Road — listed at about \$200 a square foot. The couple listed the house about a month ago for \$370,000.

They got a few calls, and comments from buyers' agents who said the price seemed high.

"I kind of shot the moon," Stanley now says, a little ruefully.

The couple finally cut the price by \$20,000. "I'm getting a lot more traffic now," he said.

Make it look good

Real estate is partly a beauty pageant. Homes that are attractive and well-maintained and have up-to-date amenities sell faster, and at better prices, than homes where buyers have to look past dated appliances or dingy paint to imagine the potential.

Buyers won't overlook shoddy maintenance or condition problems, even in hot neighborhoods.

Smith listed a house in a neighborhood near Highland Mall where prices have escalated about 20 percent in the past year and homes have sold in as little as two weeks.

Although the house needed work, the seller priced it at what updated homes in the neighborhood were selling for.

"They knew it was a hot market, and knew the area was changing, and that prices were going up aggressively, and they wanted to see how much they could get for it. Because it was not updated, we found out very quickly we weren't getting enough showings."

It took four "significant" price reductions and 108 days before it sold, Smith said.

Some agents call on professional stagers, who know how to remove the clutter and rearrange the furniture to show a house in the best possible light.

"It probably will decrease the time on the market, and that ultimately could affect the price," Hilbig said.

Don't get greedy

Dick Rathgeber, an Austin developer, said his strategy is to price a property at what he's willing to sell it for, maybe a little less, to create a stir and have "every agent in town calling anyone in town who might possibly be interested and tell them what a great deal it is."

"People make a huge mistake, in my opinion, by deliberately overpricing their house and saying, 'Well, I can always come down.' If you start down, then people wonder, where's the bottom?"

Whatever you do, real estate experts say, beware of agents who promise, "Whatever (price) you want, I'll get it for you."

"Greed," Rathgeber says, "kills more deals than anything."

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